

EAP Task Force

REGULATORY, ECONOMIC AND SOCIAL ASPECTS OF URBAN WATER SECTOR REFORMS IN THE NIS

**GROUP OF SENIOR OFFICIALS
ON THE REFORMS OF THE URBAN WATER SUPPLY AND SANITATION IN THE NIS**

FIRST MEETING

KIEV, UKRAINE, SEPTEMBER 10-11, 2001

DRAFT REPORT

Action required: The members of the Group of Senior Officials on Urban Water Sector Reform in the NIS are invited to provide comments to this draft prepared by the EAP Task Force Secretariat. The comments should be sent to the Secretariat *15 days upon the receipt of the draft* by e-mail olga.savran@oecd.org or by fax 33 1 45 24 96 71. The Secretariat will incorporate the comments into the final draft, which will be presented to the second meeting of the NIS Water Group.

SUMMARY OF MAIN DECISIONS

Establishment of the Group of Senior Officials on Urban Water Sector Reform in the NIS

At their first meeting in Kiev, Ukraine, 10-11 September 2001, high-level representatives from New Independent States of the former Soviet Union (NIS) water authorities agreed on a programme of work to implement the Almaty Guiding Principles for Reform of the Urban Water Supply and Sanitation Sector in the NIS. They also agreed to establish a Group on Urban Water Sector Reforms in the NIS, within the EAP Task Force framework, to provide political support and guidance for the implementation of the key reforms outlined by the Guiding Principles.

Senior decision-makers from the national authorities with responsibility for urban water supply and sanitation in the NIS will be the main participants in the Group. Representatives from selected water utilities and local governments, Central and Eastern Europe (CEE) and the member states of the Organisation for Economic Co-operation and Development (OECD), as well private sector, Non-governmental organisations (NGOs) and independent experts will participate in the activities of the Group as partners.

Adoption of the Work Programme

The Group agreed that exchange of experience and mutual support is urgently needed to identify practical approaches for the implementation of the Guiding Principles. Senior water officials agreed on the overall structure of the proposed Work Programme for the period of 2001-2003. The Programme envisages one or two meetings of the Group of Senior Officials before Kiev "Environment for Europe" Ministerial Conference in May 2003 to oversee and guide the implementation of specific projects, and to discuss and endorse main policy recommendations and documents.

To support the work of the Senior Officials, several expert working groups will elaborate practical proposals for the implementation of the Almaty Guiding Principles. The Group discussed potential projects to be implemented by expert working groups and their expected results, and agreed on the following main project themes:

1. Legal and institutional reforms, including
 - a) models of utility reforms
 - b) performance indicators and contracts
 - c) facilitating investment flows
2. Economic and financial reforms, including
 - a) ensuring financial viability of the water sector through tariff reform
3. Social issues in the water sector reforms, including
 - a) consumer protection and public involvement in the reforms

Delegates discussed and supported a Danish initiative to develop an additional project aiming to reform unrealistic water standards in the NIS. They also agreed that the work on International Standards for Accounting and Auditing could be given a lower priority in the Work Programme. The Group supported the development of a report monitoring the progress of water supply and sanitation reforms for Kiev "Environment for Europe" ministerial conference in 2003. Finally, the Group recognised that it may be able to contribute to proposed activities in the context of the Danube River/Black Sea which were under development in the European Commission.

NIS delegates expressed their commitment implementing the Work Programme, and signalled interest in specific projects. Donors, International Financial Institutions (IFIs), private sector and NGOs

also voiced their support for the Work Programme and their willingness to take part in its implementation. It was agreed that the EAP Task Force Secretariat would finalise the details of the Work Programme based on the discussion (final version of the Work Programme is attached).

A number of NIS delegates proposed that in addition to the Work Programme of the Group of Senior Water Officials, which will be implemented at the regional level, bilateral donors and IFIs provide support to demonstration projects in various NIS in order to implement policy proposals produced by the Group in selected NIS.

Selection of the Co-chairs

The NIS Water Group elected its Co-chairs: Mr. Hryhoriy Semchuk, Deputy Chairman of the State Committee for Construction, Architectural and Housing Policy of Ukraine, and Mr. Palle Lindgaard-Jorgensen, the Danish Environment Protection Agency of the Ministry of Environment and Energy. Co-chairs, representing NIS and donor countries, will co-ordinate the work of the NIS Water Group, guide the EAP Task Force Secretariat and represent the Group in international fora.

Next Steps

As an immediate follow-up to the meeting, the EAP Task Force Secretariat will prepare a draft report and circulate it to the members of the Group for comments. The final draft will be presented at the second meeting of the Group. The Co-chairs of the Group will present the Work Programme at the 13th annual meeting of the EAP Task Force in October 2001 in Paris, France.

Following the adoption of the Work Programme, the Secretariat will organise two expert workshops: on tariff reform and on consumer protection and public participation. More detailed information will be circulated to the Group in the near future. The Secretariat will also provide to the Group an update on ongoing demonstration projects.

The Group is invited to provide the Secretariat with proposals about possible timing and venue for the second meeting of the Group. On that basis the Secretariat, in consultation with the Co-Chairs, will prepare a consolidated final proposal.

BACKGROUND, PARTICIPANTS AND OBJECTIVES OF THE MEETING

Water supply and sanitation services are in critical conditions in many NIS. Reforms are urgently needed in order to prevent further deterioration and collapse of this sector, which may imperil public health and ecosystems, and result in economic losses.

In October 2000, NIS Ministers of Economy or Finance met with their colleagues from the Ministries of Environment in Almaty (Kazakhstan) to find solutions to this urgent problem. As a result they adopted “Guiding Principles for Reform of the Urban Water Supply and Sanitation Sector in the NIS” (www.oecd.org/env/eap/).

Following the Almaty Consultations, the EAP Task Force agreed to establish a Group of Senior Officials on Urban Water Sector Reform in the NIS to ensure political support to the implementation of the “Guiding Principles” and to identify practical approaches for the implementation of the key elements of reform.

The first meeting of the Group took place in Kiev on 10-11 September 2001. It was hosted by the State Committee of Ukraine on Construction, Architecture and Housing Policy in co-operation with the Ministry of Environment and Natural Resources and with political support of the Environmental Committee of the Ukrainian Parliament. The meeting was organised by the EAP Task Force with the financial support of the European Commission and Norway.

The meeting brought together NIS water officials from Armenia, Georgia, Moldova, Kazakhstan, Kyrgyzstan, Russian Federation, Ukraine, Uzbekistan, Tadjikistan and Turkmenistan. Delegates from Bulgaria, Denmark, Estonia, France, Germany, Latvia, Poland, UK and US were present as well as the World Bank, EBRD, UNDP, private sector and NGOs (List of participants is attached).

This meeting provided a forum for experience exchange and policy dialogue between NIS decision-makers responsible for urban water supply and sanitation and their partners. The main objectives of the meeting and agenda items were as follows:

1. To provide a forum to share experience on reforms in water supply and sanitation for officials and experts in water supply and sanitation from the NIS and their colleagues from OECD and Central and Eastern European countries
2. To discuss main areas of sector reforms, assess alternative practical approaches and identify “best practices” for sector reforms, in areas such as legal and institutional, economic and financial reforms, consumer protection and public participation in reforms
3. To identify priority areas for international co-operation for the implementation within the framework of the EAP Task Force
4. To develop and adopt a work program for support of urban water sector reform in the NIS

The main part of the meeting was dedicated to experience exchange and policy discussion; presentations by NIS officials, representatives from OECD and CEE countries, experts, private sector and public representatives were followed by plenary and working group discussions. The final session of the meeting focused on identification of priorities for co-operation under the EAP Task Force framework (Agenda is attached).

SUMMARY OF THE DISCUSSION

Legal and institutional reforms in the NIS water sector

In his opening address Mr. Semchuk, Deputy Chairman of the State Committee for construction, architecture and housing policy of Ukraine (Gosstroy), presented a broad overview of the water supply and sanitation sector reforms in his country (a full copy of the speech is attached).

In Ukraine, the sector is supplying 70 % of the country population with piped drinking water. 95 % of the urban and 57 % of the rural population are connected to sewerage. Physical assets date back to 60-70th. Following a sharp decline of state subsidies, lack of financing for maintenance and development, the number of accidents of the infrastructure has increased significantly and the quality of water cannot meet sanitary norms. There is therefore an urgent need for reforms, some of which were pointed out by Mr Semchuk. While responsibility for water operations has been decentralised to the municipal level early on in the 1990's, this has resulted in the excessive segmentation of the water sector. Gosstroy is favouring a more important role of the territorial (oblast) water utilities in this respect. Gosstroy also supports involving companies of different forms of ownership to the operations of water utilities on the basis of management contracts, leases and concessions. Gosstroy has developed over 30 legal drafts aiming to assist the water utilities to adapt to the market economy, including draft Law of Ukraine on "Drinking water and water supply" (see attached), and other documents. Gosstroy also sees major challenges in tariff reform and the mobilisation of financial support from donors and IFIs.

In this connection, Mr. Eric Tang, Danish Environmental Protection Agency, presented Danish programme supporting the reform efforts in Ukraine (see attached presentation). Co-operation projects focus on the strengthening water sector policy and its legal framework, on the transformation of water utilities into autonomous, commercially entities, and on technical areas where Danish know-how is most competent. These projects are expected to assist Ukraine in overcoming some of the key obstacles to further reforms.

Country delegates and speakers indicated a number of additional legal and institutional weaknesses in the NIS that are standing in the way of converting water utilities into autonomous and commercially run entities. Several presentations identified these obstacles, which include unclear responsibilities for investing and maintaining water infrastructure, unclear tariff-setting rules, ambiguous performance objectives for water utilities and a lack of financial and commercial management capacity (see presentations by Mr. Börkey and Mr. Lawn). The work programme of the EAP Task Force focuses on some of the instruments that can help to overcome these obstacles: performance contracts and the role of private sector participation.

Performance Contracts

Performance contracts between municipalities and utilities help define rights and responsibilities of the main parties involved in water services, and set the incentive framework for achieving effective and efficient operation and customer satisfaction. The promotion of such agreements in the framework of the EAP Task Force's work programme was seen as an important step in the process of commercialisation of utilities. However, performance contracts are not a panacea. In order to be effective, they need to be strongly supported by the political level, the utility needs to provide full access to its data in order to set realistic performance targets, and municipal authorities should be committed to enforce them (see paper by Mr. Lawn).

Delegates also noted that in some countries there might be specific legal obstacles (e.g. public companies are sometimes not allowed to have contract agreements with a municipality), that would need to

be overcome before it is possible to use performance contracts. Hence, such contracts, while potentially powerful in the medium term, are not an alternative to establishing an appropriate legal framework. Prior to their implementation, political support will need to be secured, and management structures in municipalities and utilities accordingly reformed. They are therefore only one, albeit strategically important element in the reform process.

Commercialisation of the water sector involving the private sector

Similarly, the competition for the provision of water services, and *private sector participation*, is seen as a potentially important opportunity for accelerating reforms. Some believe that the involvement of the private sector can help to transfer know-how and technology, as well as finance to the water sector. Others, warn of the potential risks that private sector participation might entail in a context where crucial regulatory frameworks are not in place.

In France, who has many decades of experience with involving the private sector in water operations, central government has elaborated guidelines for the development of concession and lease agreements with private operators. The contracts need to be approved by the head of the territorial administration (Préfet de Département). This has allowed the private sector to take over the management of water operations in a vast majority of large cities (>100.000 inhabitants) (see paper by Mr. Oliver).

Private sector participation in the NIS is still in its infancy. To date there are only two projects where such participation is actually taking place. In Armenia, an Italian company has recently been granted a management contract for the Yerevan utility (see paper by Mr. Avoyan). In Kazakhstan, a French water operator has been chosen for a concession of the water utility in Almaty, and negotiations were close to final at the time of the conference (see presentation by Mr. Plaisant). These examples show the difficulty in devising effective agreements. In Almaty, negotiations between the municipality and the French operator have been going on for more than three years, before an agreement was finally in reach. In Yerevan, deficiencies in the information available when the management contract was designed, led to the adoption of what proved to be unrealistic performance objectives. At the same time, these examples also illustrate the potential improvements that the private sector can help to bring about. In Yerevan, the private operator managed in just one year to increase the daily duration of water supply and to reduce energy costs significantly.

Private operators themselves cautioned delegates about the potential scope of private sector participation in their domestic water sectors. The private sector is presently not interested in NIS utilities serving less than 500.000 people, given the potential revenues that they would expect. In addition however, the lack of project preparation capacity in municipalities and governments, more than the lack of a specific legal framework for PSP, constitute an important obstacle, even in the large cities. Similarly, the presently high country risk in many NIS contributes to significantly reduce the potential for private sector participation (see Mr. Bajenov's presentation attached).

In order to better understand the role of the private sector and its scope in the reform process, the EAP Task Force has launched a joint project with Denmark, which will look into experience in the CEEC. The study will identify models for utility reform that involve PSP as well as public sector models, and draw recommendations for the NIS context.

Commercialisation without private sector involvement

While NIS countries can expect support from the private sector in the large cities, the vast majority of municipalities will need to find other ways of reforming themselves. The Polish experience indicates three legal and institutional reforms that were central on the path leading to the commercialisation of water

operations. At the beginning of the 1990's, the responsibility for urban water services was decentralised to the municipal level. This was followed by a law on municipal finances, setting the framework for subsidies to the water sector that municipalities could expect from the State budget. This was an important push for full-cost recovery. Finally, in 1997 a law requiring the separation of operation and the oversight of utilities further contributed to the commercialisation of utilities, and their establishment as autonomous entities. As a result many municipalities in Poland, such as Gdynia, have or are about to achieve financial sustainability (see Mr .Stasiak's presentation).

Performance indicators

Decentralization of the water and wastewater services in most NIS reduced the involvement of and accountability by central authorities. In these circumstances access to comparative information is a valuable means for promoting balanced sector development.

Performance indicators are tools that provide utility managers and employees with a assistance in identifying areas for improvement, adopting realistic targets, convincing authorities of the need for change and for developing the realistic investment plans, including project design and preparation. Indicators can also provide central and regional planners with a means to identify trends, and investment needs. They can become useful for consumers in assessing the financial and quality performance of their water/wastewater company. Performance indicators provide potential investors and stakeholders with an indication of performance and potential viability; and international donors with priority areas for intervention, investment support and technical assistance (see attached presentation by Mr. Danilenko).

The English and Welsh experience with performance evaluation and its use in tariff setting process was discussed (see attached presentation by Mr. Saunders). Mr. Sergei Shneider (Russia) presented the experience of the Rostov Oblast in applying World Bank Performance Indicators Tool-Kit for utilities. It was considered as a successful demonstration that can be replicated in other regions of Russia and in the NIS (see report attached).

In the discussion that followed the participants expressed different views on performance evaluation and the difficulties of comparing of different utilities. The general conclusion was that objective information on utility performance is needed by all stakeholders and the public for the informed decision-making process and to support the tariff setting process. Participants recommended that activities on performance contracts and performance indicators should be combined.

Tariff reform session

Water tariff reform is a necessary step in transition to the market economy. Reform should result in long-term, sustainable development of the utility based on demand for services and financing of all utility costs by user charges. It is a very complex process and cannot be resolved as a 'one shot deal'. Tariff reform implies substantial changes not only in tariff formulas and tariff levels, but also changes in water regulation, business environment, financial management approaches, subsidies and public relations. At the same time, reform requires that account be taken of utility commercial orientation, transparent accounting, long-term investment programs and social and equity aspects. (See presentation by Alexander Danilenko.)

Mr. Grzegorz Peszko presented EAP Task Force work on finance strategy for urban water sector reform (presentation is attached). The results of finance strategies developed for Georgia, Kazakhstan, Moldova and Novgorod Oblast of Russia demonstrate that user charges play the key role in ensuring financial viability of water utilities. Mr. Nilokai Rul, Deputy Chairman of Gosstroy of Ukraine, presented developments in tariff reform in Ukraine, in which cost-recovery was identified as a strategic goal. Participants took great interest in the presented documents on tariff reform in Ukraine (See attached speech

and documents). Introduction of International Standards of Accounting and Audit is an important step towards reforming financial management of water utilities. Mr. Andis Mezapuke presented Latvian experience (see attached presentation), Ms. Nadezhda Lysenko reviewed the implementation of international accounting standards in Ukraine.

The participants of the meeting agreed that tariff reform is needed and feasible in the NIS. The Senior Officials expressed their interest in participating in tariff reform work and asked the EAP Task Force for support in development of a water tariff reform manual.

Social issues of urban water sector reforms

Country delegates noted that social issues often become an important consideration for national and local authorities when reforming water sector. Water supply and sanitation are seen as a public service with an important social function. Government officials explain their unwillingness to allow utilities to charge actual costs of services by the low level of income of the population who will not be able to afford full cost-based tariffs. At the same time the water officials pointed out that water utilities are economic entities and social issues should not become a reason for arresting reforms aiming at financial stability of the sector.

Affordability of water services

When analysing affordability of water services, governments need to look into overall, or macro affordability to determine if “cost recovering” tariffs are likely to be acceptable for the population at large. This is a serious challenge in transition economies. They also need to identify specific groups of consumers who may have difficulties to pay these tariffs, i.e. to determine micro affordability. Various methodologies exist which may help governments to perform this task.

Numerous “willingness to pay” studies around the world and in the NIS demonstrate that consumers are often ready to pay more than their current water bill for a reliable good quality water supply. Methodologies for such studies have been promoted by IFIs, but it remains unclear if these methodologies may become a practical tool of the NIS officials due to their complexity and resources required for implementation. (See attached presentation by Mr. Birkeland).

“Willingness to pay” and “affordability “ studies and other forms of public surveys can help decision-makers to determine affordable levels of services. On the one hand, findings resulting from such studies may draw attention of water authorities and engineers to the need to improve current services instead of expanding the network and help design services systems better meeting customer demand. On the other hand this approach may raise awareness of the consumers about the need to reform tariffs and to adapt their consumption patterns.

In some countries the governments and the investors use a benchmark to determine level of affordability of the water bill for the family budget (e.g. 5% of the household income in Latvia). The level can vary depending on local conditions and the decision-makers need to be careful if they chose to use such a benchmark for decision-making. (See attached paper by Mr. Smets). This approach may be useful for determining the level of social assistance to the population, or when preparing for investment projects.

Determining the affordability of water bills in the NIS is often treated in a package of all municipal services and is based on the system of consumption norms (including pricing of and norms for heating, gas, electricity, waste management, etc.) that were used in centrally planned economies. Affordability of municipal services is determined when establishing poverty thresholds for a consumer basket of goods and

services. There might be a need for a more precise and targeted definition of poor and vulnerable groups, which might require special support to cover their water expenses.

Social assistance for poor and vulnerable

In general, delegates and experts stressed that maintaining tariffs below cost recovery levels should not be used as the main tool for resolving social issues such as ensuring affordability of the services to the poor. While there might be cases when tariffs for various consumer groups can be used to provide cross-subsidy or to ensure that a minimum services is provided to the poor, the primary goal for a tariff is to ensure financial stability of a water utility.

The participants supported the Almaty Guiding Principles recommendation that it is the national and local governments who need to take the primary responsibility for ensuring that the poor and vulnerable population have adequate access to water services. They stressed that in many cases the governments are trying to move this responsibility to the water utilities without providing them with the means to perform this social function.

While it seems that in all NIS explicit subsidies to water utilities have been phased out, the use of cross subsidies among various consumer groups is still rather common. Such arrangements raise concerns about the equity and may result in high level of consumption by the groups who are cross-subsidised.

Public participation in urban water sector reforms

A number of presentations pointed out that consulting the consumers is an important element in securing support for reforms. Various forms of public participation have been tried in the OECD and CEE countries. The selection of a specific form depends upon national conditions and the institutional and legal setting of the sector.

UK Office of Water (OfWat) is providing logistical and financial support to organise consumer service committees at local and national level. OfWat also encourages private water utilities to carry out customer surveys (see attached presentation by Mr. Saunders). During the process of privatisation of the Sofia water utility, a concession monitoring unit was created to ensure, *inter alia* regular public information on the project (see attached presentation by Mr. Barzakov). In Denmark water services are provided by public co-operatives thus providing for a more direct form of public participation and management of the sector.

A NGO representative presented public concerns related to the quality of the services and transparency of decision-making in the sector (see attached presentation by Ms. Tsvetkova). This triggered a heated discussion. Some of the NIS water officials questioned the role of NGOs in the process of reforms. Developing recommendations for ensuring effective consumer relations in reform of the reform of the urban water sector will be a challenge for the Group.

The confirmed the need for further work on practical approaches for determining the affordability of water services to the various groups of NIS populations, identifying ways for increasing the efficiency and effectiveness of social assistance measures to the poor and vulnerable, and designing mechanisms for public and consumer involvement, including administrative and communicative forms.

WORK PROGRAMME OF THE NIS WATER GROUP

The NIS Water Group agreed with the overall Work Programme structure presented by the EAP Task Force Secretariat. The Work Programme covers the period of 2001-2003. It envisages one of two

meetings of the Group of Senior Officials before the Kiev “Environment for Europe” Ministerial Conference in May 2003 to oversee and guide the implementation of specific projects, to discuss and endorse main policy recommendations, including a report monitoring progress of urban water sector reforms in the NIS. To support the work of the Senior Officials several experts working groups will elaborate practical approaches and policy proposals for the implementation of the Almaty Guiding Principles in the following broad areas:

1. Legal and institutional reforms
2. Economic and financial reforms
3. Consumer protection and public participation in reforms

Having approved the overall framework for the Work Programme, the Group discussed potential projects to be implemented by experts working groups and their expected results. Taking into account the substantive discussions, which took place over the previous one and a half days, the EAP Task Force Secretariat presented a summary list of potential projects and invited the members of the NIS Water Group to identify their interests and priorities. Below are the proposed projects ranked in order of priority (prioritisation table is attached).

1. Tariff reform manual
2. Performance contracts and indicators
3. Review of, and recommendations for, regulatory framework reforms and facilitating investment flows selected NIS
4. Models of sector reform and private sector participation
5. Guidelines for social measures and consumer protection
6. Financial management of the sector and of water utilities
7. Revision of unrealistic water standards
8. Manual on international standards for accounting and auditing

The Secretariat clarified that activities related to finance (finance strategies for the urban water sector; developing capital improvement programmes for municipalities) are implemented under another branch of the EAP Task Force on Environmental Financing, and confirmed that the activities and outputs from this programme area will be made available for the Group. Delegates discussed and supported a Danish initiative to develop an additional project aiming to reform unrealistic water standards in the NIS. Group members also agreed that the work on International Standards for Accounting and Auditing could be given a lower priority in the Work Programme.

The Group supported the development of a report monitoring the progress of water supply and sanitation reforms for Kiev “Environment for Europe” ministerial conference in 2003.

A number of NIS delegates proposed that in addition to the Work Programme of the Group of Senior Water Officials, which will be implemented at the regional level, bilateral donors and IFIs provide support to demonstration projects at the national level. Such demonstration projects implemented within bilateral assistance programmes could support selected NIS in implementing institutional and policy recommendations elaborated by the NIS Water Group. NIS representatives voiced their readiness to contribute to the implementation of demonstration projects, and called upon the donors and IFIs to provide support to these activities.

NIS delegates expressed their commitment to implementing the Work Programme, and signalled their interest in specific projects. Donors, IFIs, private sector and NGOs supported the Work Programme and indicated their willing to take part in its implementation. It was agreed that the EAP Task Force Secretariat would finalise the details of the Work Programme based on the discussion.

Selection of the Co-chairs

The NIS Water Group elected its Co-chairs: Mr. Hryhoriy Semchuk, Deputy Chairman of the State Committee for Construction, Architectural and Housing Policy of Ukraine, and Mr. Palle Lindgaard-Jorgensen, the Danish Environment Protection Agency of the Ministry of Environment and Energy. Co-chairs, representing NIS and donor countries, will co-ordinate the work of the NIS Urban Water Reform Group between the Group meetings, guide the EAP Task Force Secretariat and represent the Group in international fora.

Next steps

A report from the first meeting of the Group of Senior Officials on Water Sector Reforms in the NIS will be drafted by the EAP Task Force Secretariat and sent out to the Group members for comments. Following the requests of the meeting participants, the report will include all available presentations and papers distributed at the meeting.

The Co-chairs of the NIS Water Group will be invited to represent the Group at the forthcoming 13th annual meeting of the EAP Task Force, which will take place in Paris, France, 22-23 October, 2001. They will be invited to report about the establishment of the Group, adoption of its Work Programme, and next steps for the programme implementation. Participation of the Co-chairs in the meeting of the EAP Task Force will provide an opportunity to strengthen co-operation of officials responsible for the urban water sector, environmental authorities and the donor community.

The Secretariat informed the participants that first expert workshops on tariff reform and on social issues would be organised shortly to scope the projects and clarify their work plans. The Secretariat will shortly provide meeting information to the NIS Water Group. The Secretariat will also provide the Group members with updates on demonstration projects currently under preparation or implementation.

Finally, the participants had an initial discussion on timing and the location of the next meeting of the Group of Senior Officials on Urban Water Reforms in the NIS. While, several delegations offered to host the meeting, no final decision was taken. A final decision, which will be taken in consultation with the Co-Chairs, should take into account the following:

- the location for the meeting should be easily accessible for NIS and international flights, should be acceptable and safe for all participants; an effort should be made to hold the meetings in various countries of the region
- the host agency will be expected to provide logistical support and work closely with the EAP Task Force Secretariat on all organisations matters including financial arrangements
- the timing of the meeting should be co-ordinated with all participants, and be scheduled preferably in the second half of 2002 to allow for specific inputs